

**Police and Fire Municipal
Radio System Fund**
(a fund of the City of Grosse Pointe Farms, Michigan)

Financial Report
June 30, 2003

City of Grosse Pointe Farms, Michigan Police and Fire Municipal Radio System Fund

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Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Grosse Pointe Farms, Michigan

We have audited the basic financial statements of the City of Grosse Pointe Farms, Michigan for the year ended June 30, 2003 and have issued our report thereon dated November 21, 2003. Those basic financial statements are the responsibility of the management of the City of Grosse Pointe Farms, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Grosse Pointe Farms, Michigan taken as a whole. The accompanying financial statements of the Police and Fire Municipal Radio System Fund are presented for the purpose of additional analysis and are not a required part of the City of City of Grosse Pointe Farms, Michigan's basic financial statements. The accompanying financial statements of the Police and Fire Municipal Radio System Fund have been subjected to the auditing procedures applied in the audit of the City's basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the City's basic financial statements taken as a whole.

As discussed in Note 5, as of July 1, 2002, the City implemented the provisions of GASB No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Plante & Moran, PLLC

November 21, 2003



A worldwide association of independent accounting firms

City of Grosse Pointe Farms, Michigan

Police and Fire Municipal Radio System Fund

Statement of Net Assets June 30, 2003

Assets

Current assets:

Prepaid expenses	\$	1,365
Due from other governmental units		290,886

Total current assets	292,251
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Noncurrent assets:

Due from other governmental units	549,605
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Capital assets being depreciated:

Radio room improvements	\$	46,041
Radio equipment		1,284,346
Office equipment		6,300
Less accumulated depreciation		(152,081)
		1,184,606

Total assets	2,026,462
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Liabilities

Current liabilities:

Accounts payable	10,721
Accrued and other liabilities	2,448
Due to other funds	29,008
Deposits	19,777
Current portion of long-term debt	245,191

Total current liabilities	307,145
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Noncurrent liabilities - Long-term debt - Net of current portion	534,710
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Total liabilities	841,855
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Net Assets

Investment in capital assets - Net of related debt	404,705
Unrestricted	779,902

Total net assets	\$ 1,184,607
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City of Grosse Pointe Farms, Michigan

Police and Fire Municipal Radio System Fund

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended June 30, 2003

Operating Revenue - Charges for services	\$ 159,169
Operating Expenses	
Salaries and wages	96,908
Supplies	2,648
Repairs and service	3,419
Direct maintenance	19,922
Depreciation	68,872
Insurance	25,812
Management fee	5,700
Rent	3,000
Miscellaneous	1,760
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Total operating expenses	228,041
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Operating Loss - Change in net assets	(68,872)
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Net Assets - July 1, 2002	1,253,479
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Net Assets - June 30, 2003	<u><u>\$ 1,184,607</u></u>

City of Grosse Pointe Farms, Michigan

Police and Fire Municipal Radio System Fund

Statement of Cash Flows Year Ended June 30, 2003

Cash Flows from Operating Activities

Receipts from charges for services	\$ 159,169
Payments to employees for services	(96,908)
Payments for repairs and maintenance	(23,341)
Payments for insurance	(25,812)
Other payments	<u>(13,108)</u>

Net cash used in operating activities -

Cash Flows from Capital and Related Financing Activities

Principal and interest paid on capital lease	(291,284)
Contributions received for capital lease	<u>231,510</u>

Net cash used in capital and related financing activities (59,774)

Cash Flows from Investing Activities - Interest 59,774

Net Change in Cash and Cash Equivalents -

Cash and Cash Equivalents - July 1, 2002 -

Cash and Cash Equivalents - June 30, 2003 \$ -

Reconciliation of operating loss to net cash from operating activities:

Operating loss	\$ (68,872)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	68,872
Changes in assets and liabilities:	
Prepaid expenses	(92)
Due from other governmental units	27,434
Accounts payable	3,066
Accrued and other liabilities	(11,334)
Due from other funds	<u>(19,074)</u>

Net cash provided by operating activities \$ -

City of Grosse Pointe Farms, Michigan

Police and Fire Municipal Radio System Fund

Notes to Financial Statements
June 30, 2003

Note 1 - Description of Fund

The Police and Fire Municipal Radio System Fund (the "Fund") accounts for radio dispatch services provided to the City of Grosse Pointe Farms and other participating governmental units on a cost-reimbursement basis. The Fund serves the City of Grosse Pointe Farms as well as the following other municipalities: City of Grosse Pointe, City of Grosse Pointe Park, City of Grosse Pointe Woods, City of Harper Woods, and the Village of Grosse Pointe Shores.

The Fund is considered part of the City of Grosse Pointe Farms' financial reporting entity and is included in the City's financial reports as a business-type activity.

Note 2 - Summary of Certain Significant Accounting Policies

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of certain significant accounting policies employed in the preparation of the Fund's financial statements:

Basis of Accounting - The accounts of the Fund are maintained and reported on the accrual basis.

Property and Equipment - Property and equipment are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 to 20 years. Upon retirement, the recorded value of the asset and any related accumulated depreciation are eliminated from the respective accounts.

Note 3 - Allocation of Expenses

Under a written agreement dated March 31, 1949, and as subsequently amended, the City of Grosse Pointe Farms bills the participating municipalities for their portion of general system expenses in addition to any expenses that are incurred specifically for a municipality, which are described as direct cost distributions. The apportionment of general system expense is based on the equalized assessed values of real property according to the most recent rolls of each municipality.

City of Grosse Pointe Farms, Michigan

Police and Fire Municipal Radio System Fund

Notes to Financial Statements June 30, 2003

Note 3 - Allocation of Expenses (Continued)

The following summarizes the total billings to participating municipalities relating to charges for services and capital asset acquisitions for the fiscal year ended June 30, 2003:

Municipality	State Equalized Value	Apportionment Percentage	General System Expense Distribution	Direct Cost Distribution	Total Billings	Capital Lease Billings
<u>July 1, 2001 to December 31, 2001</u>						
City of Grosse Pointe	\$ 440,131,610	11.06	\$ 9,980	\$ 1,249	\$ 11,229	\$ -
City of Grosse Pointe Farms	976,039,868	24.54	22,133	5,553	27,686	-
City of Grosse Pointe Park	762,314,600	19.16	17,286	1,219	18,505	-
City of Grosse Pointe Woods	940,353,270	23.64	21,323	1,578	22,901	-
City of Harper Woods	418,920,500	10.53	9,499	1,238	10,737	-
Village of Grosse Pointe Shores	<u>440,172,327</u>	<u>11.07</u>	<u>9,981</u>	<u>1,224</u>	<u>11,205</u>	<u>-</u>
Total	<u>\$ 3,977,932,175</u>	<u>100.00</u>	<u>\$ 90,202</u>	<u>\$ 12,061</u>	<u>\$ 102,263</u>	<u>\$ -</u>
<u>January 1, 2002 to June 30, 2002</u>						
City of Grosse Pointe	\$ 465,424,540	11.21	\$ 4,875	\$ 1,870	\$ 6,745	\$ 37,046
City of Grosse Pointe Farms	997,257,149	24.02	10,445	4,372	14,817	65,787
City of Grosse Pointe Park	797,726,946	19.22	8,355	1,765	10,120	52,606
City of Grosse Pointe Woods	974,814,898	23.48	10,210	1,871	12,081	64,780
City of Harper Woods	461,414,396	11.12	4,833	1,815	6,648	37,591
Village of Grosse Pointe Shores	<u>454,307,496</u>	<u>10.95</u>	<u>4,758</u>	<u>1,733</u>	<u>6,491</u>	<u>33,473</u>
Total	<u>\$ 4,150,945,425</u>	<u>100.00</u>	<u>\$ 43,476</u>	<u>\$ 13,426</u>	<u>\$ 56,902</u>	<u>\$ 291,283</u>

Note 4 - Long-term Debt

As of June 30, 2003, the Police and Fire Municipal Radio System Fund had obligations relating to a capital lease outstanding of \$779,901, at an interest rate of 5.91 percent, maturing through 2006. The original amount of the obligation was \$1,230,000, of which \$231,509 was retired during the year.

City of Grosse Pointe Farms, Michigan

Police and Fire Municipal Radio System Fund

Notes to Financial Statements
June 30, 2003

Note 4 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2003, including both principal and interest, are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Proprietary</u> <u>Funds</u>
2004	\$ 291,283
2005	291,283
2006	<u>291,983</u>
Total	<u>\$ 874,549</u>

Total interest incurred by the Police and Fire Municipal Radio System Fund for the year approximated \$60,000.

Note 5 - Accounting and Reporting Change

As of July 1, 2002, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Police and Fire Municipal Radio System Fund has applied the provisions of the statement to the accompanying financial statements. Certain changes in the statements include the reclassification of contributed capital to net assets. GASB No. 34 requires the presentation of management's discussion and analysis; however, this information is not required in this statement since it is issued in relation to the City's basic financial statements.